

Real Estate Fraud

Introduction

Real estate schemes, scams and fraud all constitute a form of theft which criminals use to steal your home or real property. Adhering to the principle that a person's home is his or her castle, this is possibly the most devastating form of victimization. Real estate fraud can take many forms. The information provided in this handout hopefully will serve as an educational tool to help you become more aware of the various forms of real estate fraud and to tell how you can avoid becoming a victim.

Types of Real Estate Fraud

Con artists may use several methods to swindle you in a real estate fraud scheme. Foreclosure bailout, home equity fraud, home renovation scams, rental fraud and deceptive timeshare scams, are just a few types of real estate fraud. Below is a description of these forms of fraud:

Foreclosure Bailout

Victims of this form of real estate fraud are generally homeowners who have negative equity, also known as being "upside-down" and/or owe more money on their home's mortgage

than the home is worth. They are caught in dire straits due to the need to sell their home, and must do so at a loss or let their mortgage company foreclose on their home. At this point a so-called "bailout specialist" will offer the victim the opportunity to arrange for a short sale of their home. In this form of fraud, the homeowner usually will be told that for a fee of \$1,000 to \$2,500, the homeowner can deed their home to the bailout specialist and then rent it back. The bailout specialist takes the money, does not arrange for the short sale, and does not make any payments on the mortgage. The end results are that the home loan payments are not made and the mortgage goes into foreclosure, without the victim being aware of any fraud. Ultimately, the home is foreclosed upon; the victim is evicted, and loses both his home and the \$1,000 to \$2,500 fee charged by the so-called specialist.

Home Equity and Home Renovation Fraud

According to the Council of Better Business Bureaus, home-remodeling contractors ranked slightly behind car salespersons and auto mechanics

in generating the most consumer complaints. Be very careful when using your home or your home equity as security for a home improvement loan. Fast-talking salespersons will offer to refinance your home at a lower interest rate to provide cash to the homeowner; the cash can be used to pay for home improvements or to pay off bills. Victims are frequently asked to sign blank contracts or contracts that they were not allowed to read before signing. Later, the homeowner discovers that they signed a contract that contains terms in contrast to the originally promised terms. This results in the loss of equity in the victim's home as well as the discovery that they have signed a mortgage with considerably higher interest rates. The homeowner is now faced with a higher mortgage payment, one that they may not be able to afford.

Rental Fraud

Frequently, con artists will rent homes they do not own to people. They will locate a vacant or abandoned home, enter it, change the locks, and then advertise the property as available for rent. The unsuspecting victim rents the property from the con artist, who collects a security deposit and rent from the victim and then disappears. The victim, who rented the property, is then evicted by the lawful owner and subsequently loses his or her place to live along with the money he or she paid for the security deposit and rent.

Deceptive Timeshares

Timeshares may offer to sell membership vacation accommodations. Con artists may make oral promises that are omitted from the written contract. They may also fail to mention fees and obligations that appear in the written contract, but were never mentioned orally. These misrepresentations likely will be discovered while signing the contract and are downplayed by the salesperson as only "legal jargon." Victims are not told the extent to which the annual maintenance fee will increase over time, they will be forced to pay special assessment fees or face the difficulty of reselling a timeshare.

Effects of Fraud

The crime of fraud is a personal violation. Although there is no serious physical injury, many victims of con artists suffer emotional harm by losing the following:

- § Financial security
- § Family home
- § Business
- § Inheritance
- § Retirement savings or children's educational funds
- § Professional or personal credibility

Conclusion

Victims of fraud come from a variety of racial, religious, socioeconomic, educational, age and gender backgrounds. Some swindlers deliberately seek families that may have limited means or financial difficulties, figuring such persons may be particularly receptive to a proposal that offers fast and large profits. Your first step as a victim should be to report the incident to your local law enforcement agency. If you believe that you have become the victim of real estate fraud, please contact your local police or sheriff.

Additional Resources:

National Fraud Information Center-
(800)-876-7060, or www.fraud.org

Virginia Office of Consumer Affairs-
(800)-552-9963, or www.vdacs.virginia.gov/consumers/index.html

Better Business Bureau Elder Fraud
Hotline- (804)-780-2222, or www.bbb.org